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ACTUARIAL ANALYSIS PROVES THAT SOCIAL SECURITY PRIVATIZATION DOES NOT ADD UP

WASHINGTON, D.C. – Today, the independent and non-partisan Chief Actuary for the Social Security Administration released its analysis of the privatization schemes proposed by the President's Commission on Social Security last December. Although the Commission's mandate was to draft a specific proposal that could be submitted to Congress, in the end it produced a "menu of options" and recommended further debate. The Actuarial Memo, prepared by Chief Actuary Stephen C. Goss, proves that none of the Commission's plans will return Social Security to solvency without draining the trust funds and relying on huge infusions of additional revenue that do not exist.

"This report is a final blow to the work of the Commission. Not only is privatization the wrong policy approach, it is financially unsound," said Congressman Robert T. Matsui (D-CA), Ranking Member of the Social Security Subcommittee of the House Ways and Means Committee. "The Actuary's memo reveals that the Commission's plans rely on financial gimmicks to create the appearance of solvency. It's an insult to the American people's intelligence to try to sell privatization this way. The Commission is relying on massive general revenue transfers to finance their plans when it's clear that the money does not exist."

Some of the plans are designed to appear solvent on paper, but fall apart on closer examination. Although the Actuary's report indicates that two of the Commission's plans would eventually return the program to solvency, a closer reading reveals that solvency depends on a "trigger mechanism." Each year, money would be drained from the trust funds to pay for private accounts. In one plan, $1 trillion would be taken from the trust funds in the first ten years alone. Then, every time the trust funds approach exhaustion, general revenues would be transferred from some other part of the federal budget. The Commission even suggests using the Medicare trust fund to help finance their plans.

"If we're going to solve Social Security's financing challenges, we need to be straightforward about how much various proposals would cost," said Matsui. "Relying on funds that do not exist in order to pay for private accounts is irresponsible and misleading. We should be working together to find solutions that will return solvency to the program, not bankrupt it. I hope all interested parties read this memo carefully so that we can finally put these privatization schemes behind us as we decide how to protect Social Security for the future."